



SEB – Pioneering ISO 20022 for Corporates

About SEB

SEB is a leading Nordic financial services group. As a relationship bank, SEB in Sweden and the Baltic countries offers financial advice and a wide range of other financial services. In Denmark, Finland, Norway and Germany the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients.

The international nature of SEB's business is reflected in its presence in some 20 countries worldwide.

On June 30, 2015, the Group's total assets amounted to SEK 2,760 billion while its assets under management totalled SEK 1,780 billion. The Group has about 16.000 employees.



Harri Rantanen - Manager, Formats and Standards at SEB. All quotes are his.



The Multibank Challenge

For international corporate institutions, the efficient integration and management of its multiple banking partners, across various geographies, for outgoing and incoming payment transactions, reconciliations and liquidity management, is a major challenge.

Example - Treasury function within a large corporate institution may have to deal with 20-50 external banks to fully understand its balance position

A lack of practical, universal standards and/or the lack of harmonisation has meant that, historically, the processing of inter-bank payment transactions has used different formats and standards than the processing of corporate-to-bank (C2B) and bank-to-corporate (B2C) transactions.

The result has led to country or even bank specific solutions - local payment processing has been developed by the local banking community to use local clearing mechanisms, local formats and local market practices. In this way, local domestic services have become very efficient, but the high level of fragmentation has resulted in complex and not easily harmonised cross-border processing.

Example - Across Europe, and before the advent of SEPA, there may have been different 250 local, national ways to process a simple credit transfer that is now reduced to some 170 ways.

To support harmonisation, both EDIFACT and MT messaging schemas provide structure, but both have issues. EDIFACT has suffered from low take-up from the banks, and MT does not fully support, or structure, all information required such as 'extended remittance' and 'reason code' details.

ISO 20022 as a Solution for Corporates

To help fill the gap, and with Single Euro Payment Area (SEPA) acting as a strong use-case, ISO 20022 has evolved into a proven standard for end-to-end business processes for corporates, that can be used both locally and globally.

Launched in 2008, SEPA harmonises all euro denominated payments across 34 countries and provinces through the forced introduction of ISO 20022 standard in XML.

The use of ISO 20022 extends beyond the central clearing and settlement mechanism, and also includes the interactions between banks and corporates, both for Corporate-to-Bank (C2B) and Bank-to-Corporate (B2C).

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“You can think of the ISO 20022 repository like Lego building blocks – a really flexible framework allows you to build anything that the business needs, and usually you can re-use what the community has already developed”
.....

This end-to-end deployment is driven by effective and practical corporate-specific market practice through the Common Global Implementation Market Practice Group (CGI-MP)

CGI-MP provides ISO 20022 harmonisation for Credit Transfers, Direct Debits, Account Reporting, Account Management and Billing, driving efficiency and interoperability.

As a practical example, for a single corporate institution with presence across multiple European countries, SEPA Credit Transfer based salaries can now be processed using the same format, using one process and one debtor bank account.

ISO 20022 at SEB

Driven by the need to rationalise and harmonise disparate processes, SEB started its ISO 20022 implementation in 2007.

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“We realised pretty early on that ISO 20022 was going to be the way forward to harmonise these disparate markets”
.....

SEB now supports both C2B and B2C channels through ISO 20022 Payments and Direct Debit Initiations (pain.xxx) with Status Reporting, and Bank account Reporting (camt.xxx). Also, it fully supports SEPA as well as local market schemes in the SEB countries.

For the corporate customers, SEB supports the transport of ISO 20022 messages in XML over multiple channels:

- Smaller corporates, with smaller volumes, tend to use the SEB’s online banking tool with manual ISO 20022 file uploads
- Larger corporates, with large volumes, tend to use the host-to-host connection integration Secure FTP file transfer, AS2 or SWIFT FileAct

Currently, SEB has around 1,000 active corporate institution agreements for sending ISO 20022 transaction instructions and around 200 agreements for receiving ISO 20022 reporting messages.

SEB processes millions of ISO 20022 corporate payment initiation message based transactions per month - not only for SEPA, but also across many local payment schemes in the Nordics, Germany, Baltics, UK, Poland, US and some countries in Asia.

SEB continues to architect all of its internal and external processes around ISO 20022. As new business opportunities arise, strategic and tactical development decisions are made to ensure continued close alignment with the ISO 20022 business model. This holistic approach includes ensuring that third-party vendor partnerships are also aligned.

Looking ahead, SEB is looking to expand its use of ISO 20022 into several business areas: trade finance with a possible adoption of the Bank Payment Obligation (BPO) instrument, supply chain and receivable flow management, and securities.

ISO 20022 Benefits

Over time, SEB has seen a number of tangible benefits of adopting ISO 20022:

- **Faster speed of design and development** – ISO 20022 is flexible. If there is not a ready-made message for a specific business purpose, it is quite easy to modify parts of an existing ISO 20022 message components for internal use. For SEB, now the initial investment in ISO 20022 is complete, the time and effort needed to design new business flows and new messages has reduced drastically as people in design speaks the same business language.
- **Faster speed of customer onboarding** – accelerated by the use of its 24x7 online ISO 20022 testing tool, the implementation and onboarding is significantly faster. SEB has seen the testing time needed by new corporates to join the bank has reduced from months to weeks, and sometime even days.
- **Higher STP rate** – for the automated processing of payments, the automated reconciliation of payments and invoices, the reduction of manual exceptions and the harmonisation of multiple processes. SEB has seen the STP rates experienced by a typical corporate have increased considerably as a result of adopting ISO 20022. Internal savings can be ‘considerable’, with some large multinational corporates quoting figures of ‘a million euros per year’.
- **Richer data and new services** – As a consequence of its structured and complete data, ISO 20022 carries a rich data set, allowing the bank to innovate and provide new services, such as ‘interest calculation’ for corporate bank accounts, ‘extended remittance’ or detailed intraday reporting.

About SWIFT

- SWIFT is the industry-owned cooperative supplying secure, standardised messaging services and interface software to over 10,800 financial institutions in 200+ countries and territories.
- SWIFT has been part of the ISO 20022 story since the beginning. As both standards body and network provider, SWIFT has a 40 year track record of experience in supporting financial communities
- SWIFT has packaged this ISO 20022 expertise into a unique combination of end-to-end products and solutions that increase automation and drive efficiencies, providing a one-stop-shop for all ISO 20022-related community requirements

For more information please contact your SWIFT account manager or visit www.swift.com

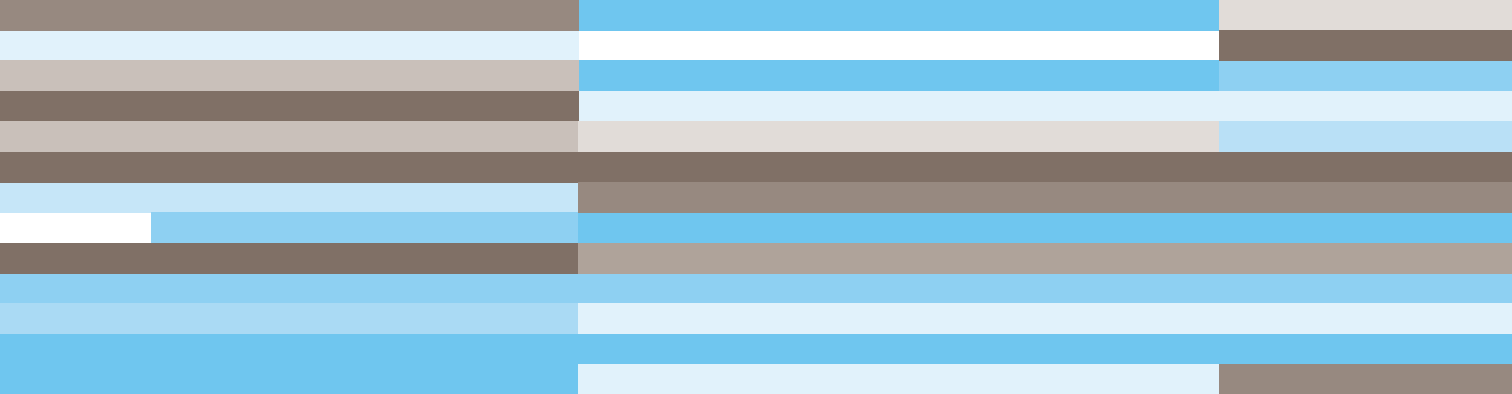
Harmonising ISO 20022 Market Practice for Corporates

Common Global Implementation Market Practice Group (CGI-MP)

- Launched in 2010, CGI-MP defines the user guidelines for harmonised and global use of ISO 20022 for payments, for corporate institutions
- The CGI-MP group, which comprises 140+ international organisations, including banks, infrastructure providers, vendors, integrators, service providers and end-users, aims to simplify the implementation of ISO 20022, and encouraging usage
- CGI-MP covers: Credit Transfer Initiation and Their Status Reporting; Bank Account Reporting; Direct Debit Initiation and Their Status Reporting Including Electronic Direct Debit Mandates; Electronic Bank Account Management; and Bank Services Billing

- Through proactive discussion and collaboration, CGI-MP has tackled the challenges and obstacles met by the earlier standardisation attempts, both domestic and cross-border implementation
- CGI-MP aligns the (previously separated) agendas of stakeholder groups. In the decision process, cooperation and consensus are paramount

SEB continues to play a key role in the CGI-MP group, and has worked within the group since its inception.



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